

Message Text

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47

ACTION EUR-25

INFO OCT-01 ISO-00 AGR-20 CEA-02 CIAE-00 COME-00 DODE-00

EB-11 FRB-03 H-03 INR-11 INT-08 L-03 LAB-06 NSAE-00

NSC-07 PA-04 RSC-01 AID-20 CIEP-03 SS-20 STR-08

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AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

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TAGS: EEC, DA, FO

SUBJECT: FAEROE ISLANDS/EC RELATIONSHIP

REF: A. BRUSSELS 5570

B. COPENHAGEN 244

C. COPENHAGEN 252

BEGIN SUMMARY. THE EC HAS AGREED UPON THE TERMS OF A TRADE
ARRANGEMENT WITH DENMARK WHICH COULD BECOME EFFECTIVE
1 SEPTEMBER 1974. IT PROVIDES FOR THE GRADUAL LOWERING OF
EC DUTIES ON FAEROESE PRODUCTS TO TWENTY PERCENT OF EXISTING
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LEVELS BY JULY 1977. THIS ARRANGEMENT SHOULD BE USEFUL TO

THE PARTIES IN THE PRESENT FAEROESE COALITION GOVERNMENT IN THEIR CAMPAIGN FOR NOVEMBER ELECTIONS TO THE FAEROESE LOCAL ASSEMBLY. IT SHOULD ALSO HELP FAEROESE ADVOCATES OF EC ENTRY WHEN THE ARRANGEMENT IS UP FOR REVIEW. THE REDUCTION OF DUTIES IS ALSO IMPORTANT ON ECONOMIC GROUNDS SINCE THE COMMUNITY TAKES ABOUT HALF OF FAEROESE EXPORTS. END SUMMARY.

1. DANISH GOVERNMENT OFFICIALS HAVE ADVISED US THAT, ON DIRECTION FROM THE COUNCIL WHICH HAD EARLIER REACHED AGREEMENT IN PRINCIPLE, THE COMMITTEE OF PERMANENT REPRESENTATIVES (COREPER) LAST WEEK MADE SEVERAL CHANGES AND APPROVED THE FINAL TEXT OF AN ARRANGEMENT FOR EC-FAEROESE TRADE.

2. IN FEBRUARY, THE EC COUNCIL APPROVED A RESOLUTION DIRECTING THE COMMISSION TO PRODUCE A DRAFT AGREEMENT IN TIME TO BECOME EFFECTIVE BY JULY 1. THE DRAFT RAN INTO DIFFICULTIES IN THE COMMISSION AND COREPER, PRIMARILY OVER PRODUCTS TO BE INCLUDED. THE FAEROESE REFUSED TO ACCEPT AN ARRANGEMENT WHICH DID NOT INCLUDE VINEGAR-CURED HERRING AND GUARANTEE DUTY-FREE ENTRY OF SALT COD, ON WHICH THE EC DUTY HAS BEEN TEMPORARILY SUSPENDED. IN THE END, DANISH ARGUMENTS AT THE MINISTERIAL COUNCIL LEVEL PREVAILED AND THE COUNCIL INSTRUCTED COREPER TO REVISE THE DRAFT SO THAT THE FINAL ARRANGEMENT COVERED FISHERY PRODUCTS REPRESENTING NEARLY ALL FAEROESE EXPORTS TO THE COMMUNITY, INCLUDING FAEROESE WISHES ON VINEGAR-CURED HERRING AND SALT COD.

3. THE ARRANGEMENT WILL PROVIDE FOR INITIAL REDUCTION OF TARIFFS ALONG THE SAME LINES AS PROVIDED FOR IN ART 32 OF THE TREATY FOR ACCESSION OF NEW MEMBERS. IN JULY 1977, THE DUTY ON FAEROESE PRODUCTS WILL HAVE FALLEN TO TWENTY PERCENT OF EXISTING EC DUTIES. IF THE FAEROESE AT THAT TIME DECIDE TO "JOIN" THE COMMUNITY, THE REMAINING TWENTY PERCENT WILL BE ELIMINATED; IF THE FAEROESE OPT TO STAY OUTSIDE, THE ARRANGEMENT WILL BE REVIEWED.

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4. AGREEMENT ON SATISFACTORY TERMS IS IMPORTANT ON BOTH POLITICAL AND ECONOMIC GROUNDS. FAILURE TO ACHIEVE A WORTHWHILE ARRANGEMENT WOULD HAVE EMBARRASSED THE MEMBERS OF THE PRESENT GOVERNMENT IN THE NOVEMBER ELECTIONS FOR THE LAGTING (FAEROESE LOCAL ASSEMBLY). THE PRESENT GOVERNMENT, WITH FOURTEEN OUT OF TWENTY-SIX SEATS, IS A COALITION OF SOCIAL DEMOCRATS, CONSERVATIVES (SAMBAND) AND OLD HOME-RULE PARTIES, HEADED BY ATLI DAM,

A SOCIAL DEMOCRAT. ALTHOUGH NOMINALLY IN FAVOR OF INCREASED HOME RULE, THE COALITION TAKES A MODERATE, REALISTIC LINE ON THAT QUESTION. THIS IS IN MARKED CONTRAST TO THE MORE RADICAL INDEPENDENCE LINE PROPOSED BY THE MAJOR OPPOSITION (REPUBLICAN) PARTY. THE DANISH GOVERNMENT HAS CONSEQUENTLY WITHIN THE EC COMMISSION SUPPORTED THE FAEROESE REQUEST FOR A SPECIAL ARRANGEMENT.

5. THE ARRANGEMENT IS ALSO IMPORTANT FROM AN ECONOMIC VIEWPOINT. FISHING IS THE BASIC OCCUPATION OF THE ISLANDS WITH ONE OUT OF FOUR FAEROESE MEN EMPLOYED IN THE INDUSTRY. FISH AND FISH PRODUCTS ACCOUNT FOR AROUND 95 PERCENT OF THE VALUE OF FAEROESE EXPORTS. IN 1973, THE COMMUNITY TOOK HALF THE FAEROESE EXPORTS OF FISH VALUED AT APPROXIMATELY U.S.\$70 MILLION.

6. THE TERMS AGREED UPON BY THE COMMUNITY WILL BE CONSIDERED IN THE TWO-WEEK SESSION OF THE FAEROESE LAGTING JUST CONVENED. ASSUMING FAEROESE CONCURRENCE IN PROVIDING CERTAIN RECIPROCAL TRADE ADVANTAGES (EC VEGETABLES), THE ARRANGEMENT COULD GO INTO EFFECT BY APPROXIMATELY SEPT. 1.
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